

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: June 16, 2008
POSITION: Oppose
SPONSOR: Regional Council of Rural Counties

BILL NUMBER: SB 1349
AUTHOR: D. Cox
RELATED BILLS: AB 1780

BILL SUMMARY: Late Penalty Fees: Mental Health Services

This bill would require the Controller, subject to specified exemptions, to reimburse any county contractor or subcontractor that submits a fee-for-service (FFS) claim for reimbursement for mental health services within 90 days after receipt of the claim by the Department of Mental Health (DMH). This bill also would require that interest accrue on an unpaid claim, commencing on the 91st day after receipt of the claim, and that if funds are not available to pay the claim, the Controller request the Department of Finance to submit a request for a deficiency appropriation. This bill specifies a July 1, 2009 start.

FISCAL SUMMARY

This bill could have a fiscal impact of approximately \$3.5 million General Fund. This additional cost would be due to the penalties incurred by the DMH for late payment to county contractors or subcontractors, and would have to be paid out of the DMH budget, as stated in the bill.

COMMENTS

Finance opposes this bill for the following reasons:

- Existing law generally exempts Medi-Cal claims for health care services reimbursements from late penalty payments. The only exception is for providers that are small businesses or non profit organizations.
- It could result in increased costs that are estimated at \$3.5 million General Fund.
- These penalties would be required to be paid directly out of the DMH budget, which could potentially impact other DMH services or programs.

Analyst/Principal (0522) J. Doyle	Date	Program Budget Manager Michael Wilkening	Date
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Department Deputy Director	Date
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Governor's Office:	By:	Date:	Position Approved_____
			Position Disapproved_____

BILL ANALYSIS	Form DF-43 (Rev 03/95 Buff)
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D. Cox

June 16, 2008

SB 1349

ANALYSIS

A. Programmatic Analysis

Under current law, for health care services provided under the Medi-Cal program, reimbursements to the provider are not subject to late payment penalties unless the Medi-Cal health care services provider is a small business or nonprofit organization.

This bill would require the Controller to reimburse any county contractor or subcontractor that submits a claim for reimbursement for mental health services within 90 days after receipt of the claim by DMH. This bill also would require that interest accrue at the Pooled Money Investment Account rate on an unpaid claim, commencing on the 91st day after receipt of the claim. This bill also would require that if funds are not available to pay the claim, the Controller request the Department of Finance to submit a request for a deficiency appropriation.

A November 2007 Department of Finance, Office of Statewide Audits and Evaluations (OSAE) report concluded that the DMH needed to improve its claims processing, and that the DMH averaged 96 days when processing state General Fund (SGF) claims, and 109 days when processing federal financial participation (FFP) claims. DMH has been working to remedy the issues detailed in the OSAE report.

B. Fiscal Analysis

It is estimated that this bill could result in increased General Fund costs of \$3.5 million.

This amount was developed using DMH's 2006-07 data and the Pooled Money Investment Account (PMIA) late payment penalty rate, as specified in Government Code 927.6b.

The methodology assumes 2006-07 expenditure amounts of \$382.449 million SGF for the Early and Periodic Screening, Diagnosis, and Treatment (EPSDT) program and \$988.683 million Medi-Cal FFP, and average processing times of 96 days for SGF (6 days in excess of 90) and 109 days for FFP claims (19 days in excess of 90).

Applying the following formula: Invoice Amount x Penalty Interest Factor per Day x Number of Days in Excess of 90 days, the estimated penalty would be:

$\$382.499 \times .0001677 = \$64,145 \times 6 \text{ days} = \$384,871$
 $\$988.683 \times .0001677 = \$165,802 \times 19 \text{ days} = \$3,150,240$

A related bill, AB 1780 would require the DMH to establish administrative procedures for the delivery of services through the EPSDT program, and to update current statutes. Late payment penalties are not included in AB 1780. This is an administration sponsored bill.

Code/Department Agency or Revenue Type	SO	(Fiscal Impact by Fiscal Year)							
	LA	(Dollars in Thousands)							
	CO	PROP							Fund
	RV	98	FC	2007-2008	FC	2008-2009	FC	2009-2010	Code
4440/Mental Hth	LA	No	S	\$0	S	\$0	S	\$3.535	0001